

October 15, 2003

TO: Directors, Private Schools for the Disabled

FROM: Richard Rosenberg, Assistant Commissioner  
Division of Finance

SUBJECT: Annual Information - Private Schools for the Disabled - Related Party  
Transactions for Fiscal Year 2003-2004

In accordance with *N.J.A.C. 6A:23-4.5(a)47*, a related party transaction is defined as a transaction between parties in which one party to the transaction is able to control or substantially influence the actions of the other. Such transactions are defined by the relationship of the parties and include, but are not limited to, those between divisions of an institution; institutions or organizations under common control through common officers, directors, or members; and an institution and a director, trustee, officer, or key employee of the institution or his or her immediate family either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. In accordance with *N.J.A.C. 6A:23-4.5(a)47*, a cost which is not allowable in the calculation of the certified actual cost per student includes rental costs for buildings and equipment in excess of the actual allocated costs of ownership incurred by the related property owner including a 2.5 percent return calculated on the actual costs of ownership incurred by the related party.

Attached please find a copy of the Department of Education's prescribed cost of ownership format for related party transactions (real and personal property) involving private schools for the disabled. If a private school for the disabled is involved in a related party transaction (real and/or personal property), this form must be prepared by the lessor, attached to the lease agreement with copies of both forwarded to the Department of Education by the private school for every year a related party transaction exists.

The attached form must be completed by the lessor and must include the anticipated costs of ownership, which pertain to the real or personal property leased by the private school for the disabled. Until the lessor provides a final year-end accounting of the actual costs of ownership, the private school's accounting records may only reflect an allowable lease expense of an

amount less than or equal to the "Total Lease Amount" shown in column (2) "Allocated to Private School Lease" on page 3 of this format. The lease expense which may be included in the certified actual cost per pupil is limited to the final year-end actual costs of ownership incurred by the related party plus a 2.5 percent return on the actual costs of ownership. The related party must provide this information to the private school for the disabled.

In addition to the form being signed by the property owner, notarized and made part of the lease, a completed copy of the notarized form along with a copy of the lease must be forwarded to the below address:

Ms. Elise Sadler-Williams, Education Planner  
New Jersey State Department of Education  
Division of Finance  
Office of Fiscal Policy and Planning  
P.O. Box 500  
Trenton, NJ 08625-0500

Please forward this completed form for the 2003-04 school year to the above address by November 17, 2003. If a private school for the disabled enters into a related party transaction during the school year, a completed form must be filed within 60 days of the transaction.

If you have any questions concerning this form, please contact Jim Verner at (609) 984-4229 or email [Jim.Verner@doe.state.nj.us](mailto:Jim.Verner@doe.state.nj.us) or Elise Sadler-Williams at (609) 777-4483 or [Elise.Sadler-Williams@doe.state.nj.us](mailto:Elise.Sadler-Williams@doe.state.nj.us).

RR/JV/elise/annual info/related party memo 2003-04.doc  
Attachment

c: Dwight Pfennig  
J. Michael Rush  
Gloria Hancock  
Isaac R. Bryant  
Albert A. Monillas  
Judith Weiss  
Katie Attwood  
Barbara Gantwerk  
Raymond Montgomery  
Cecelia Downey  
Anthony Hearn  
County Superintendents  
County School Business Administrators  
County Supervisors of Child Study  
Judy Vazquez  
Jim Verner  
Elise Sadler-Williams